

Mr. Thomas S. Tiller, CFO  
Laurel Baye Healthcare, LLC  
Post Office Box 2700  
Pawleys Island, South Carolina 29585

Re: AC# 3-FFD-J9 – Fairfield Healthcare Center, LLC

Dear Mr. Tiller:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period April 1, 1999 through September 30, 1999. That report was used to set the rate covering the contract periods beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Mr. Thomas S. Tiller, CFO  
Laurel Baye Healthcare, LLC  
Post Office Box 2700  
Pawleys Island, South Carolina 29585

Re: Draft Report – AC# 3-FFD-J9 – Fairfield Healthcare Center, LLC

Dear Mr. Tiller:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Mr. John Corbacho, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director  
Division of Home Health and Nursing Home Services  
Department of Health and Human Services  
Post Office Box 8206  
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-FFD-J9 – Fairfield Healthcare Center, LLC

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Mr. John Corbacho, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Mr. Jeff Saxon  
Mr. Robert M. Kerr



**FAIRFIELD HEALTHCARE CENTER, LLC**  
**RIDGEWAY, SOUTH CAROLINA**

**CONTRACT PERIODS**  
**BEGINNING OCTOBER 1, 1999**  
**AC# 3-FFD-J9**

**REPORT ON CONTRACT**  
**FOR**  
**PURCHASE OF NURSING CARE SERVICES**  
**WITH**  
**STATE OF SOUTH CAROLINA**  
**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

|   | <b><u>EXHIBIT<br/>OR<br/>SCHEDULE</u></b> | <b><u>PAGE</u></b> |
|---|---|--------------------|
| INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING<br>AGREED-UPON PROCEDURES   |   | 1                  |
| COMPUTATION OF RATE CHANGE FOR THE CONTRACT<br>PERIODS BEGINNING OCTOBER 1, 1999  | A   | 3                  |
| COMPUTATION OF ADJUSTED REIMBURSEMENT RATE<br>FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999   | B-1                                       | 4                  |
| COMPUTATION OF ADJUSTED REIMBURSEMENT RATE<br>FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000   | B-2                                       | 5                  |
| SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR<br>THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999<br>FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999 | C-1                                       | 6                  |
| SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR<br>THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999<br>FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000 | C-2                                       | 8                  |
| ADJUSTMENT REPORT   | 1   | 10                 |
| COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR<br>THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999   | 2   | 14                 |
| COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR<br>THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000   | 3   | 16                 |

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 18, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Fairfield Healthcare Center, LLC, for the contract periods beginning October 1, 1999, and for the six month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Fairfield Healthcare Center, LLC, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Fairfield Healthcare Center, LLC, dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
July 18, 2000

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract period beginning October 1, 2000, as required by regulations of the United States Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor



**FAIRFIELD HEALTHCARE CENTER, LLC**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1999  
AC# 3-FFD-J9

|                                | Beginning-<br><u>10/01/99</u> | Beginning-<br><u>10/01/00</u> |
|--------------------------------|-------------------------------|-------------------------------|
| Interim reimbursement rate     | (1) \$102.75                  | (2) \$ -                      |
| Adjusted reimbursement rate    | <u>98.66</u>                  | <u>99.04</u>                  |
| Decrease in reimbursement rate | \$ <u>4.09</u>                | \$ <u>-</u>                   |

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated April 25, 2000

(2) Interim reimbursement rate will be determined by the South Carolina Department of Health and Human Services.

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period Beginning October 1, 1999  
AC# 3-FFD-J9

|  | <u>Incentives</u> | <u>Allowable<br/>Cost</u> | <u>Cost<br/>Standard</u> | <u>Computed<br/>Rate</u> |
|--|-------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u>             |                   |                           |                          |                          |
| General Services                               |                   | \$41.46                   | \$50.88                  |                          |
| Dietary  |                   | 10.75                     | 9.69                     |                          |
| Laundry/Housekeeping/Maint.                    |                   | <u>13.72</u>              | <u>8.24</u>              |                          |
| Subtotal                                       | <u>\$2.88</u>     | 65.93                     | 68.81                    | \$65.93                  |
| Administration & Med. Rec.                     | <u>\$ -</u>       | <u>12.44</u>              | <u>11.56</u>             | <u>11.56</u>             |
| Subtotal                                       |                   | 78.37                     | <u>\$80.37</u>           | 77.49                    |
| <u>Costs Not Subject to Standards:</u>         |                   |                           |                          |                          |
| Utilities                                      |                   | .99                       |                          | .99                      |
| Special Services                               |                   | -                         |                          | -                        |
| Medical Supplies & Oxygen                      |                   | 5.35                      |                          | 5.35                     |
| Taxes and Insurance                            |                   | 1.02                      |                          | 1.02                     |
| Legal Fees                                     |                   | <u>.02</u>                |                          | <u>.02</u>               |
| <b>TOTAL</b>                                   |                   | <u>\$85.75</u>            |                          | 84.87                    |
| Inflation Factor (3.00%)                       |                   |                           |                          | 2.55                     |
| Cost of Capital                                |                   |                           |                          | 5.97                     |
| Cost of Capital Limitation                     |                   |                           |                          | -                        |
| Profit Incentive (Max. 3.5% of Allowable Cost) |                   |                           |                          | -                        |
| Cost Incentive                                 |                   |                           |                          | 2.88                     |
| Effect of \$1.75 Cap on Cost/Profit Incentives |                   |                           |                          | (1.13)                   |
| CNA Add-On                                     |                   |                           |                          | .75                      |
| Nurse Aide Staffing Add-on                     |                   |                           |                          | <u>2.77</u>              |
| ADJUSTED REIMBURSEMENT RATE                    |                   |                           |                          | <u>\$98.66</u>           |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period Beginning October 1, 2000  
AC# 3-FFD-J9

|  | <u>Incentives</u> | <u>Allowable<br/>Cost</u> | <u>Cost<br/>Standard</u> | <u>Computed<br/>Rate</u> |
|--|-------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u>             |                   |                           |                          |                          |
| General Services                               |                   | \$41.89                   | \$50.24                  |                          |
| Dietary  |                   | 10.86                     | 10.12                    |                          |
| Laundry/Housekeeping/Maint.                    |                   | <u>13.86</u>              | <u>8.88</u>              |                          |
| Subtotal                                       | <u>\$2.63</u>     | 66.61                     | 69.24                    | \$66.61                  |
| Administration & Med. Rec.                     | <u>\$ -</u>       | <u>12.57</u>              | <u>10.55</u>             | <u>10.55</u>             |
| Subtotal                                       |                   | 79.18                     | <u>\$79.79</u>           | 77.16                    |
| <u>Costs Not Subject to Standards:</u>         |                   |                           |                          |                          |
| Utilities                                      |                   | 1.00                      |                          | 1.00                     |
| Special Services                               |                   | -                         |                          | -                        |
| Medical Supplies & Oxygen                      |                   | 5.41                      |                          | 5.41                     |
| Taxes and Insurance                            |                   | 1.03                      |                          | 1.03                     |
| Legal Fees                                     |                   | <u>.02</u>                |                          | <u>.02</u>               |
| <b>TOTAL</b>                                   |                   | <u>\$86.64</u>            |                          | 84.62                    |
| Inflation Factor (3.20%)                       |                   |                           |                          | 2.71                     |
| Cost of Capital                                |                   |                           |                          | 5.96                     |
| Cost of Capital Limitation                     |                   |                           |                          | -                        |
| Profit Incentive (Max. 3.5% of Allowable Cost) |                   |                           |                          | -                        |
| Cost Incentive                                 |                   |                           |                          | 2.63                     |
| Effect of \$1.75 Cap on Cost/Profit Incentives |                   |                           |                          | (.88)                    |
| Nurse Aide Staffing Add-On - 10/01/2000        |                   |                           |                          | 1.23                     |
| Nurse Aide Staffing Add-On - 10/01/1999        |                   |                           |                          | <u>2.77</u>              |
| <br>ADJUSTED REIMBURSEMENT RATE                |                   |                           |                          | <br><u>\$99.04</u>       |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
For the Contract Period Beginning October 1, 1999  
AC# 3-FFD-J9

| <u>Expenses</u>                     | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments                                    |   | <u>Adjusted<br/>Totals</u> |
|-------------------------------------|--|--|---|----------------------------|
|                                     |  | <u>Debit</u>                                   | <u>Credit</u>   |                            |
| General Services                    | \$ 886,604   | \$ 51 (7)                                      | \$ 800 (1)<br>17,067 (3)<br>4,139 (5)<br>14,364 (8)<br>1,567 (8)<br>20,352 (11)<br>4,160 (11) | \$ 824,206                 |
| Dietary                             | 216,955  | -  | 124 (8)<br>3,192 (11)   | 213,639                    |
| Laundry                             | 42,619   | -  | 27 (8)<br>840 (11)  | 41,752                     |
| Housekeeping                        | 61,411   | -  | 44 (8)<br>840 (11)  | 60,527                     |
| Maintenance                         | 182,970  | -  | 5,736 (6)<br>4,243 (7)<br>1,491 (8)<br>1,080 (11)   | 170,420                    |
| Administration &<br>Medical Records | 254,237  | 3,544 (3)<br>2,491 (3)<br>6,539 (7)<br>944 (7) | 2,290 (6)<br>2,346 (8)<br>174 (8)<br>15,578 (12)  | 247,367                    |
| Utilities                           | 29,218   | -  | 8,295 (4)<br>1,257 (6)  | 19,666                     |
| Special Services                    | -  | -  | -   | -                          |
| Medical Supplies &<br>Oxygen        | 173,051  | 6,990 (7)                                      | 17,565 (2)<br>56,021 (5)  | 106,455                    |
| Taxes and Insurance                 | 21,757   | -  | 1,440 (7)   | 20,317                     |
| Legal Fees                          | 413  | -  | -   | 413                        |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
For the Contract Period Beginning October 1, 1999  
AC# 3-FFD-J9

| <u>Expenses</u>             | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments  |                          | <u>Adjusted<br/>Totals</u> |
|-----------------------------|--|--|--------------------------|----------------------------|
|                             |  | <u>Debit</u>   | <u>Credit</u>            |                            |
| Cost of Capital             | 95,938   | 9,562 (9)<br>1,007 (12)<br><u>12,207 (13)</u>  | -                        | 118,714                    |
| Subtotal                    | 1,965,173  | 43,335   | 185,032                  | 1,823,476                  |
| Ancillary                   | 24,888   | -  | -                        | 24,888                     |
| Non-Allowable               | 111,214  | 800 (1)<br>17,565 (2)<br>11,032 (3)<br>8,295 (4)<br>60,160 (5)<br>9,283 (6)<br>20,137 (8)<br>30,464 (11)<br><u>14,571 (12)</u> | 9,562 (9)<br>12,207 (13) | 261,752                    |
| Total Operating<br>Expenses | <u>\$2,101,275</u>   | <u>\$215,642</u>   | <u>\$206,801</u>         | <u>\$2,110,116</u>         |
| Total Patient Days          | <u>19,881</u>  | <u>-</u>   | <u>-</u>                 | <u>19,881</u>              |
| Total Beds                  | <u>112</u>   |  |                          |                            |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
For the Contract Period Beginning October 1, 2000  
AC# 3-FFD-J9

| <u>Expenses</u>                     | Totals (From<br>Schedule SC 13) as<br>Adjusted by DH&HS | Adjustments<br><u>Debit</u>                    | <u>Credit</u>   | Adjusted<br>Totals |
|-------------------------------------|---|--|---|--------------------|
| General Services                    | \$ 886,604  | \$ 51 (7)                                      | \$ 800 (1)<br>17,067 (3)<br>4,139 (5)<br>14,364 (8)<br>1,567 (8)<br>20,352 (11)<br>4,160 (11) | \$ 824,206         |
| Dietary                             | 216,955   | -  | 124 (8)<br>3,192 (11)   | 213,639            |
| Laundry                             | 42,619  | -  | 27 (8)<br>840 (11)  | 41,752             |
| Housekeeping                        | 61,411  | -  | 44 (8)<br>840 (11)  | 60,527             |
| Maintenance                         | 182,970   | -  | 5,736 (6)<br>4,243 (7)<br>1,491 (8)<br>1,080 (11)   | 170,420            |
| Administration &<br>Medical Records | 254,237   | 3,544 (3)<br>2,491 (3)<br>6,539 (7)<br>944 (7) | 2,290 (6)<br>2,346 (8)<br>174 (8)<br>15,578 (12)  | 247,367            |
| Utilities                           | 29,218  | -  | 8,295 (4)<br>1,257 (6)  | 19,666             |
| Special Services                    | -   | -  | -   | -                  |
| Medical Supplies &<br>Oxygen        | 173,051   | 6,990 (7)                                      | 17,565 (2)<br>56,021 (5)  | 106,455            |
| Taxes and Insurance                 | 21,757  | -  | 1,440 (7)   | 20,317             |
| Legal Fees                          | 413   | -  | -   | 413                |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
For the Contract Period Beginning October 1, 2000  
AC# 3-FFD-J9

| <u>Expenses</u>             | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments  |                          | Adjusted<br><u>Totals</u> |
|-----------------------------|--|--|--------------------------|---------------------------|
|                             |  | <u>Debit</u>   | <u>Credit</u>            |                           |
| Cost of Capital             | 104,414  | 5,241 (10)<br>1,007 (12)<br><u>6,546 (14)</u>  | -                        | 117,208                   |
| Subtotal                    | 1,973,649  | 33,353   | 185,032                  | 1,821,970                 |
| Ancillary                   | 24,888   | -  | -                        | 24,888                    |
| Non-Allowable               | 106,929  | 800 (1)<br>17,565 (2)<br>11,032 (3)<br>8,295 (4)<br>60,160 (5)<br>9,283 (6)<br>20,137 (8)<br>30,464 (11)<br><u>14,571 (12)</u> | 5,241 (10)<br>6,546 (14) | 267,449                   |
| Total Operating<br>Expenses | <u>\$2,105,466</u>   | <u>\$205,660</u>   | <u>\$196,819</u>         | <u>\$2,114,307</u>        |
| Total Patient Days          | <u>19,676</u>  | <u>-</u>   | <u>-</u>                 | <u>19,676</u>             |
| Total Beds                  | <u>112</u>   |  |                          |                           |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-FFD-J9

| <u>ADJUSTMENT<br/>NUMBER</u> | <u>ACCOUNT TITLE</u>   | <u>DEBIT</u>             | <u>CREDIT</u>   |
|------------------------------|--|--------------------------|-----------------|
| 1                            | Nonallowable<br>Nursing  | \$ 800                   | \$ 800          |
|                              | To remove expense not related to<br>patient care and disallow expense<br>not adequately documented<br>HIM-15-1, Section 2304 |                          |                 |
| 2                            | Nonallowable<br>Medical Supplies and Oxygen  | 17,565                   | 17,565          |
|                              | To properly state reported specialty<br>bed expense<br>State Plan, Attachment 4.19D  |                          |                 |
| 3                            | Administration<br>Medical Records<br>Nonallowable<br>Nursing   | 3,544<br>2,491<br>11,032 | 17,067          |
|                              | To adjust consultant contract with<br>facility employees<br>State Plan, Attachment 4.19D<br>DHHS Expense Checklist           |                          |                 |
| 4                            | Nonallowable<br>Utilities  | 8,295                    | 8,295           |
|                              | To remove late fees and deposits<br>from allowable cost<br>HIM-15-1, Section 2102.3  |                          |                 |
| 5                            | Nonallowable<br>Nursing<br>Medical Supplies and Oxygen   | 60,160                   | 4,139<br>56,021 |
|                              | To remove related party transactions<br>that are not adequately documented<br>HIM-15-1, Sections 1000 and 2304               |                          |                 |



**FAIRFIELD HEALTHCARE CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-FFD-J9

| <u>ADJUSTMENT<br/>NUMBER</u> | <u>ACCOUNT TITLE</u>  | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------|---|--------------|---------------|
| 6                            | Nonallowable  | 9,283        |               |
|                              | Maintenance   |              | 5,736         |
|                              | Administration  |              | 2,290         |
|                              | Utilities   |              | 1,257         |
|                              | To disallow expenses not adequately<br>documented<br>HIM-15-1, Section 2304                                   |              |               |
| 7                            | Nursing   | 51           |               |
|                              | Administration  | 6,539        |               |
|                              | Medical Records   | 944          |               |
|                              | Medical Supplies and Oxygen   | 6,990        |               |
|                              | Maintenance   |              | 4,243         |
|                              | Taxes, Insurance, and Licenses  |              | 1,440         |
|                              | Other Equity  |              | 8,841         |
|                              | To adjust expense per the trial balance<br>to the amounts per the general ledger<br>HIM-15-1, Section 2304    |              |               |
| 8                            | Nonallowable  | 20,137       |               |
|                              | Nursing   |              | 14,364        |
|                              | Restorative   |              | 1,567         |
|                              | Dietary   |              | 124           |
|                              | Laundry   |              | 27            |
|                              | Housekeeping  |              | 44            |
|                              | Maintenance   |              | 1,491         |
|                              | Administration  |              | 2,346         |
|                              | Medical Records   |              | 174           |
|                              | To adjust fringe benefits and related<br>allocation<br>HIM-15-1, Section 2304<br>State Plan, Attachment 4.19D |              |               |
| 9                            | Cost of Capital   | 9,562        |               |
|                              | Fixed Assets  | 262,685      |               |
|                              | Nonallowable  |              | 9,562         |
|                              | Accumulated Depreciation  |              | 25,342        |
|                              | Other Equity  |              | 237,343       |
|                              | To adjust fixed assets and related<br>depreciation<br>HIM-15-1, Section 2304<br>State Plan, Attachment 4.19D  |              |               |

(For the rate period 10/01/99 - 9/30/00)

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-FFD-J9

| <u>ADJUSTMENT<br/>NUMBER</u> | <u>ACCOUNT TITLE</u>  | <u>DEBIT</u> | <u>CREDIT</u> |
|------------------------------|---|--------------|---------------|
| 10                           | Cost of Capital   | 5,241        |               |
|                              | Fixed Assets  | 78,923       |               |
|                              | Nonallowable  |              | 5,241         |
|                              | Accumulated Depreciation  |              | 10,451        |
|                              | Other Equity  |              | 68,472        |
|                              | To adjust fixed assets and related depreciation<br>HIM-15-1, Section 2304<br>State Plan, Attachment 4.19D<br><br>(For the rate period beginning 10/01/00) |              |               |
| 11                           | Nonallowable  | 30,464       |               |
|                              | Nursing   |              | 20,352        |
|                              | Restorative   |              | 4,160         |
|                              | Dietary   |              | 3,192         |
|                              | Laundry   |              | 840           |
|                              | Housekeeping  |              | 840           |
|                              | Maintenance   |              | 1,080         |
|                              | To reverse vacation accrual not adequately documented<br>HIM-15-1, Section 2304   |              |               |
| 12                           | Cost of Capital   | 1,007        |               |
|                              | Nonallowable  | 14,571       |               |
|                              | Administration  |              | 15,578        |
|                              | To adjust home office cost<br>HIM-15-1, Section 2304, 2150.3  |              |               |
| 13                           | Cost of Capital   | 12,207       |               |
|                              | Nonallowable  |              | 12,207        |
|                              | To adjust capital return<br>State Plan, Attachment 4.19D<br><br>(For the rate period 10/01/99 - 9/30/00)  |              |               |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-FFD-J9

| ADJUSTMENT<br>NUMBER | ACCOUNT TITLE  | DEBIT             | CREDIT            |
|----------------------|--|-------------------|-------------------|
| 14                   | Cost of Capital<br>Nonallowable  | 6,546             | 6,546             |
|                      | To adjust capital return<br>State Plan, Attachment 4.19D   |                   |                   |
|                      | (For the rate period beginning 10/01/00)   |                   |                   |
| 15                   | Memo Adjustment:<br>To decrease reported square footage from<br>37,096 to 35,871 square feet. To remove<br>chapel square footage of 1,225 square feet. |                   |                   |
|                      |  | _____             | _____             |
|                      | TOTAL ADJUSTMENTS  | \$ <u>569,037</u> | \$ <u>569,037</u> |

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
For the Contract Period Beginning October 1, 1999  
AC# 3-FFD-J9

|  |                    |
|--|--------------------|
| Original Asset Cost (Per Bed)                                      | \$ 15,618          |
| Inflation Adjustment   | <u>2.2493</u>      |
| Deemed Asset Value (Per Bed)                                       | 35,130             |
| Number of Beds   | <u>112</u>         |
| Deemed Asset Value   | 3,934,560          |
| Improvements Since 1981  | 583,585            |
| Accumulated Depreciation at 09/30/99                               | <u>(1,198,645)</u> |
| Deemed Depreciated Value   | 3,319,500          |
| Market Rate of Return  | <u>.063</u>        |
| Total Annual Return  | 209,129            |
| Number of Days in Period   | <u>183/365</u>     |
| Adjusted Annual Return   | 104,851            |
| Return Applicable to Non-Reimbursable<br>Cost Centers              | -                  |
| Allocation of Interest to Non-Reimbursable<br>Cost Centers         | <u>-</u>           |
| Allowable Annual Return  | 104,851            |
| Depreciation Expense   | 13,863             |
| Amortization Expense   | -                  |
| Capital Related Income Offsets                                     | -                  |
| Allocation of Capital Expenses to Non-Reimbursable<br>Cost Centers | <u>-</u>           |
| Allowable Cost of Capital Expense                                  | 118,714            |
| Total Patient Days (Minimum 97% Occupancy)                         | <u>19,881</u>      |
| Cost of Capital Per Diem   | <u>\$ 5.97</u>     |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
For the Contract Period Beginning October 1, 1999  
AC# 3-FFD-J9

|  |               |
|--|---------------|
| 6/30/89 Cost of Capital and Return on Equity |               |
| Capital Per Diem Reimbursement               | \$3.44        |
| Adjustment for Maximum Increase              | <u>3.99</u>   |
| Maximum Cost of Capital Per Diem             | <u>\$7.43</u> |
| Reimbursable Cost of Capital Per Diem        | \$5.97        |
| Cost of Capital Per Diem                     | <u>\$5.97</u> |
| Cost of Capital Per Diem Limitation          | \$ <u>-</u>   |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1999  
 For the Contract Period Beginning October 1, 2000  
 AC# 3-FFD-J9

|  |                       |
|--|-----------------------|
| Original Asset Cost (Per Bed)                                      | \$ 15,618             |
| Inflation Adjustment   | <u>2.3156</u>         |
| Deemed Asset Value (Per Bed)                                       | 36,165                |
| Number of Beds   | <u>112</u>            |
| Deemed Asset Value   | 4,050,480             |
| Improvements Since 1981  | 583,585               |
| Accumulated Depreciation at 09/30/99                               | <u>(1,198,645)</u>    |
| Deemed Depreciated Value   | 3,435,420             |
| Market Rate of Return  | <u>.060</u>           |
| Total Annual Return  | 206,125               |
| Number of Days in Period   | <u>183/365</u>        |
| Adjusted Annual Return   | 103,345               |
| Return Applicable to Non-Reimbursable<br>Cost Centers              | -                     |
| Allocation of Interest to Non-Reimbursable<br>Cost Centers         | <u>-</u>              |
| Allowable Annual Return  | 103,345               |
| Depreciation Expense   | 13,863                |
| Amortization Expense   | -                     |
| Capital Related Income Offsets                                     | -                     |
| Allocation of Capital Expenses to Non-Reimbursable<br>Cost Centers | <u>-</u>              |
| Allowable Cost of Capital Expense                                  | 117,208               |
| Total Patient Days (Minimum 96% Occupancy)                         | <u>19,676</u>         |
| Cost of Capital Per Diem   | \$ <u><u>5.96</u></u> |

**FAIRFIELD HEALTHCARE CENTER, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
For the Contract Period Beginning October 1, 2000  
AC# 3-FFD-J9

|  |               |
|--|---------------|
| 6/30/89 Cost of Capital and Return on Equity |               |
| Capital Per Diem Reimbursement               | \$3.44        |
| Adjustment for Maximum Increase              | <u>3.99</u>   |
| Maximum Cost of Capital Per Diem             | <u>\$7.43</u> |
| Reimbursable Cost of Capital Per Diem        | \$5.96        |
| Cost of Capital Per Diem                     | <u>\$5.96</u> |
| Cost of Capital Per Diem Limitation          | \$ <u>-</u>   |